

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 5136

INFO AMEMBASSY BANGKOK PRIORITY

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USADB

FOR NAC AGENCIES

E.O. 11652: ADS, DECLAS 4/21/77

TAGS: EAID, EFIN

SUBJECT: PROPOSED ADB TECHNICAL ASSISTANCE TO THAILAND FOR
ROCK SALT-SODA ASH PROJECT

REF: (A) 76 BANGKOK 31723, (B) 76 STATE 300654,
(C) 76 MANILA 18589

SUMMARY: ADB MANAGEMENT PROPOSES \$350,000 TECHNICAL
ASSISTANCE (TA) GRANT TO GOVERNMENT OF THAILAND TO FINANCE
FOREX COST OF ESTABLISHING TECHNICAL FEASIBILITY AND
ECONOMIC VIABILITY OF PROPOSED ROCK SALT-SODA ASH PROJECT,
INCLUDING FORMULATION OF SCOPE OF PROPOSED PROJECT AND
COST ESTIMATES. IF FEASIBILITY AND VIABILITY ARE
ESTABLISHED, PROPOSED PROJECT WOULD BE ONE OF FIRST FIVE
INDUSTRIAL PROJECTS BEING PLANNED BY ASEAN GROUP OF
COUNTRIES TO MEET REQUIREMENTS OF ESSENTIAL COMMODITIES
WITHIN ASEAN REGION. USADB RECOMMENDS FAVORABLE
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NAC ACTION. END SUMMARY

1. ADB DOC. R4-77 DESCRIBING PROPOSED GRANT POUCHED
ADDRESSEES JANUARY 19. BOARD CONSIDERATION SCHEDULED
FEBRUARY 10.

2. ADB MANAGEMENT PROPOSING \$350,000 TA GRANT TO GOVERN-

MENT OF THAILAND. PROCEEDS WILL FINANCE FOREX COST OF DETERMINING OPTIMUM CAPACITIES AND LOCATION OF ROCK SALT MINE AND SODA ASH PLANT OF PROPOSED PROJECT, WHICH COULD BE ESTABLISHED IN THAILAND TO SUPPLY ROCK SALT AND SODA ASH REQUIREMENTS OF MARKETS IN ASEAN GROUP OF COUNTRIES. UNDER PROPOSED TA, TECHNICAL FEASIBILITY AND ECONOMIC VIABILITY OF PROPOSED PROJECT WOULD BE CAREFULLY EVALUATED, AFTER DETAILED STUDIES ARE CONDUCTED OF ALL RELEVANT MARKETING, TECHNICAL, FINANCIAL, ECONOMIC AND INSTITUTIONAL ASPECTS.

3. IN FEBRUARY 1976, ASEAN GROUP OF COUNTRIES ADOPTED REGIONAL ECONOMIC COOPERATIVE PROGRAM AIMED IN PART AT ESTABLISHMENT OF LARGE-SCALE INDUSTRIAL PLANTS WITHIN ASEAN REGION TO MEET REGIONAL REQUIREMENTS OF ESSENTIAL COMMODITIES. INITIALLY, ASEAN ECONOMIC MINISTERS AGREED TO COOPERATE IN ESTABLISHMENT OF FIVE MAJOR INDUSTRIAL PROJECTS: UREA FERTILIZER FOR INDONESIA AND MALAYSIA, SUPERPHOSPHATE FOR PHILIPPINES, DIESEL ENGINES FOR SINGAPORE AND SODA ASH FOR THAILAND.

4. DURING APRIL 1976 ADB ANNUAL MEETING IN JAKARTA, BANK WAS REQUESTED BY ASEAN REPRESENTATIVES TO PLAY CATALYTIC ROLE FOR MOBILIZATION OF RESOURCES AND FOR PREPARATION AND IMPLEMENTATION OF FIVE INDUSTRIAL PROJECTS. IN PRELIMINARY RESPONSE, BANK INDICATED INTER ALIA THAT, IN PRINCIPLE, IT WOULD BE RECEPTIVE TO REQUESTS FOR TA FOR PREPARATION OF ASEAN INDUSTRIAL PROJECTS. HOWEVER, AS AN ASPECT OF VIABILITY, BANK WOULD HAVE TO FORM ITS LIMITED OFFICIAL USE

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OWN ASSESSMENT OF ECONOMIC RATIONALE OF LISTING AND LOCATION OF ANY PROJECT ADVANCED TO BANK AS AN ASEAN PROJECT. BANK FURTHER INDICATED IT MAY HAVE TO BE ONE OF SEVERAL CO-LENDERS DUE TO LIKELY LARGE SIZE OF THESE PROJECTS. IT ALSO NOTED THAT FOR MOST REGIONAL INDUSTRIAL PROJECTS, RECIPROCAL MARKETING AND PRICING (OR TARIFF) ARRANGEMENTS (CONSISTENT WITH INTERNATIONAL OBLIGATIONS, E.G., UNDER GATT) WOULD BE NECESSARY.

5. THAILAND HAS SUBSTANTIAL INFERRED RESERVES OF ROCK SALT IN ITS NORTHEASTERN REGION, WHICH IS MAIN RAW MATERIAL REQUIRED FOR MANUFACTURE OF SODA ASH. GOVERNMENT IS EAGER TO UTILIZE THESE RESERVES FOR PRODUCTION OF SODA ASH TO MEET NEEDS OF ASEAN REGION. (SODA ASH IS AN ESSENTIAL RAW MATERIAL OR CHEMICAL REAGENT FOR MANY BASIC INDUSTRIES SUCH AS GLASS MAKING, CERAMICS, SOAP AND DETERGENTS, PULP AND PAPER, TEXTILE, METAL PROCESSING, PETROLEUM REFINING, VEGETABLE OIL REFINING, WATER SOFTENING AND FOR MANUFACTURE OF CERTAIN CHEMICALS.)

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GOVERNMENT HAS ALSO GIVEN PRIORITY TO SUCH ACTIVITY IN
NORTHEAST DUE TO ITS ECONOMIC IMPACT IN THIS UNDER-DEVELOPED
PART OF THAILAND.

6. PROPOSED PROJECT IS TO ESTABLISH FACILITIES FOR MINING
OF ROCK SALT AND FOR MANUFACTURE OF SODA ASH BASED ON ROCK
SALT AND LIMESTONE AS MAIN RAW MATERIALS. TENTATIVE PRO-
POSAL IS TO ESTABLISH FACILITIES CLOSE TO NAKHON
RATCHASIMA (KHORAT) FOR MINING ABOUT 1.5 MILLION TONS OF
ROCK SALT PER YEAR FROM ROCK SALT DEPOSITS DISCOVERED IN
KHORAT BASIN IN NORTHEASTERN THAILAND. IT IS ALSO TENTA-
TIVELY PROPOSED TO ESTABLISH SODA ASH PLANT WITH ABOUT
1,200 TONS PER DAY CAPACITY FOR WHICH THERE ARE SEVERAL
POSSIBLE ALTERNATIVE SITES. OPTIMUM LOCATIONS AND SIZES OF
ROCK SALT MINE AND SODA ASH PLANT ARE TO BE DETERMINED AFTER
COMPLETION OF RELEVANT MARKET, TECHNICAL AND ECONOMIC STUDIES.
PROPOSED PROJECT WILL ALSO INVOLVE: (A) ESTABLISHMENT OF
LIMESTONE QUARRY TO PRODUCE RAW MATERIAL FOR PROPOSED SODA
ASH PLANT; (B) CONSTRUCTION OF INFRASTRUCTURAL FACILITIES
(E.G., ELECTRICAL POWER SUPPLY, WATER SUPPLY, DRAINAGE
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AND WASTE EFFLUENT DISPOSAL PROJECT OPERATIONS);
(C) PROVISION OF TRANSPORT INFRASTRUCTURE AND FACILITIES
FOR EFFICIENT AND ECONOMIC HANDLING, PACKAGING, STORAGE,
TRANSPORTATION, DISTRIBUTION AND MARKETING OF ROCK SALT
AND SODA ASH FROM PROPOSED PROJECT TO DOMESTIC AND OVERSEAS
MARKETS; (D) ORGANIZATION AND TRAINING OF LOCAL PERSONNEL
TO FACILITATE EFFICIENT MANAGEMENT AND ORGANIZATION OF
CONSTRUCTION, OPERATION AND MANAGEMENT OF PROPOSED
PROJECT; AND (E) PROVISION OF CONSULTING SERVICES TO ASSIST
IN PROJECT IMPLEMENTATION AND INITIAL MANAGEMENT.

7. PRELIMINARY ESTIMATE OF CAPITAL INVESTMENTS LIKELY
TO BE NEEDED FOR PROPOSED PROJECT WOULD BE ABOUT \$160
MILLION, INCLUDING \$120 MILLION FOREX COMPONENT.
ADDITIONALLY, IT MAY BE NECESSARY TO CONSTRUCT A 160-KM.
ONE METER GAUGE RAILWAY CONNECTION TO FACILITATE ECONOMIC
TRANSPORT OF RAW MATERIALS AND FINISHED PRODUCTS,
ESTIMATED TO TAKE ABOUT THREE YEARS TO CONSTRUCT AT
ABOUT \$30 MILLION COST, PLUS ESTIMATED \$15 MILLION OF
ADDITIONAL ROLLING STOCK. GOVERNMENT OF THAILAND IS
EXPECTED TO TAKE 60 PERCENT EQUITY IN PROPOSED PROJECT,
WITH BALANCE OPEN FOR SUBSCRIPTIONS OF TEN PERCENT EACH
BY INDONESIA, MALAYSIA, PHILIPPINES AND SINGAPORE.
PART OF THAI GOVERNMENT'S SHARE WOULD BE OPEN FOR SUB-
SCRIPTION BY PRIVATE THAI INVESTORS.

8. EXECUTING AGENCY WILL BE DEPARTMENT OF INDUSTRIAL
PROMOTIONS (DIP), MINISTRY OF INDUSTRY. DIP WILL
CO-ORDINATE CLOSELY WITH DEPARTMENT OF MINERAL RESOURCES
IN EXAMINING GEOLOGICAL ASPECTS OF ROCK SALT MINING AND
LIMESTONE QUARRYING, AND WITH MINISTRY OF COMMUNICATIONS
AND STATE RAILWAY OF THAILAND IN EXAMINATION OF TRANSPORT
AND PORT INFRASTRUCTURES WHICH MAY BE NEEDED TO FACILITATE
ECONOMIC TRANSPORTATION OF RAW MATERIALS AND FINISHED
PRODUCTS. DIP WILL ALSO BE OVERALL CONTACT POINT FOR
CONSULTANT TEAM IN THEIR CONTACTS WITH THESE OTHER
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ORGANIZATIONS. WHILE BANK MISSION CONSIDERS THAT DIP
WOULD BE SUITABLE EXECUTING AGENCY FOR PROPOSED TA,
IT WOULD HAVE TO BE STRENGTHENED FOR FUTURE IMPLEMENTATION
OF PROPOSED PROJECT.

9. IT IS PROPOSED TO ENGAGE EXPATRIATE CONSULTING FIRM
WITH RELEVANT AND EXTENSIVE EXPERIENCE IN ROCK SALT
MINING AND SODA ASH PRODUCTION TO UNDERTAKE COMPREHENSIVE
FEASIBILITY STUDY FOR PROPOSED PROJECT. FIRM IS EXPECTED
TO NEED TO MAKE SUITABLE ARRANGEMENTS WITH CONSULTING
FIRM WITH RELEVANT AND EXTENSIVE EXPERIENCE IN CARRYING

OUT FEASIBILITY STUDIES OF ROAD AND RAILWAY TRANSPORTATION SYSTEMS, AND ALSO WITH CONSULTING FIRM WITH RELEVANT AND EXTENSIVE EXPERIENCE IN CARRYING OUT MARKETING STUDIES AND ECONOMIC EVALUATION OF INDUSTRIAL PROJECTS FOR TRANSPORTATION, MARKETING AND ECONOMIC ASPECTS OF PROPOSED PROJECT.

10. PROPOSED TA WILL COVER, INTER ALIA, FOLLOWING ASPECTS IN DETAIL: (A) MARKET STUDIES BOTH WITHIN AND OUTSIDE ASEAN REGION TO ASSESS SUPPLY, DEMAND, PRICES AND OTHER RELEVANT MARKETING FACTORS FOR ROCK SALT AND SODA ASH, AND PREPARATION OF SET OF POLICY OPTIONS WITH REGARD TO TRADING ARRANGEMENTS WHICH MAY BE CONSIDERED BY ASEAN MEMBER COUNTRIES TO REALIZE REGIONAL MARKETING OBJECTIVES OF PROJECT IN DUE CONSONANCE WITH INTERNATIONAL OBLIGATIONS OF THESE COUNTRIES; (B) GEOLOGICAL SURVEYS/STUDIES TO ASCERTAIN ADEQUACY

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OF MINABLE RESERVES OF ROCK SALT AND LIMESTONE; (C) STUDIES TO DETERMINE MOST ECONOMIC ARRANGEMENTS FOR SUPPLYING AMMONIA FOR PROJECT; (D) STUDIES TO DETERMINE MOST SUITABLE LOCATIONS OF ROCK SALT MINE AND LIMESTONE QUARRY AND MOST APPROPRIATE METHODS AND FACILITIES FOR MINING ROCK SALT AND QUARRYING LIMESTONE; (E) STUDIES

TO DETERMINE MOST SUITABLE LOCATION OF SODA ASH PLANT, OPTIMUM SCALE OF PRODUCTION AND MOST APPROPRIATE PROCESS FOR SODA ASH MANUFACTURE; AND (F) STUDIES TO DETERMINE MOST ECONOMIC MODE FOR TRANSPORTING RAW MATERIALS AND FINISHED PRODUCTS BETWEEN ROCK SALT MINE, SODA ASH PLANT AND PORT. IT IS ANTICIPATED THAT CONSULTANT TEAM WOULD COMPRISE FOLLOWING THIRTEEN EXPERTS FOR TOTAL OF ABOUT 36 MAN-MONTHS: ROCK SALT AND SODA ASH MARKETING EXPERT (4 MAN-MONTHS), MINING GEOLOGIST (6 M-M), MINING ENGINEER (4 M-M), CHEMICAL ENGINEER (6 M-M), MECHANICAL ENGINEER (2 M-M), RAILWAY ENGINEER (2 M-M), RAILWAY EQUIPMENT EXPERT (1 M-M), PIPELINE TRANSPORTATION LIMITED OFFICIAL USE

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EXPERT (1 M-M), TRANSPORT ECONOMIST (4 M-M), INDUSTRIAL ECONOMIST (2 M-M), AND FINANCIAL ANALYST (1 M-M).

11. PROPOSED STUDY HAS ESTIMATED FOREX COSTS OF \$350,000 AND LOCAL CURRENCY COSTS OF \$616,000 EQUIVALENT. LOCAL COSTS INCLUDE USE OF TWO DRILLING RIGS WITH DRILLING CREWS FOR PERIOD OF SIX MONTHS. FOREX COST WOULD BE FINANCED UNDER PROPOSED TA INITIALLY ON GRANT BASIS WITH PROVISION THAT IF LOAN RESULTS, THAT PORTION OF GRANT IN EXCESS OF \$100,000 WILL BE CONVERTED TO SUBSEQUENT LOAN. TA IS TENTATIVELY SCHEDULED TO COMMENCE IN APRIL 1977 AND IS EXPECTED TO BE COMPLETED BY MARCH/APRIL 1978.

12. PROPOSED PROJECT HAS BEEN GIVEN HIGH PRIORITY BY GOVERNMENT, ESPECIALLY SINCE IT IS INTENDED TO BE THAILAND'S CONTRIBUTION TOWARDS FOSTERING REGIONAL INDUSTRIAL CO-OPERATION AMONG ASEAN COUNTRIES; IT ACCORDS WITH GOVERNMENT'S POLICY TO REDUCE ECONOMIC DISPARITIES WITHIN COUNTRY; AND IT WILL PLAY IMPORTANT ROLE IN THAILAND'S INDUSTRIAL DEVELOPMENT. USADB SUPPORTS PROPOSAL AND RECOMMENDS FAVORABLE NAC ACTION. HOWEVER, WOULD APPRECIATE GUIDANCE RE POSSIBILITY THAT SOME PREFERENTIAL TRADING ARRANGEMENTS AMONG ASEAN MEMBER COUNTRIES WOULD POSSIBLY BE NEEDED TO HELP PROPOSED PROJECT.

13. REQUEST BANGKOK'S COMMENTS FOR NAC AGENCIES, INFO USADB MANILA, PURSUANT TO STATE 119795 DATED 3 JULY 1972.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TECHNICAL ASSISTANCE, GRANTS, COST ESTIMATES, ROCK SALT, PROGRAMS (PROJECTS)
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Copy: SINGLE
Sent Date: 21-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
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Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 BANGKOK 31723, 76 STATE 300654, 76 MANILA 18589
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 04-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3539748
Secure: OPEN
Status: NATIVE
Subject: PROPOSED ADB TECHNICAL ASSISTANCE TO THAILAND FOR ROCK SALT-SODA ASH PROJECT
TAGS: EAID, EFIN, RP, ADB
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/970861d3-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009